SCHLUMBERGER LTD /NV/
Form 10-K
January 31, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission File Number 1-4601

Schlumberger N.V. (Schlumberger Limited)

(Exact name of registrant as specified in its charter)

Curaçao	
(State or other jurisdiction of incorporation or organization)	**52-0684746** **(IRS Employer Identification No.)**
42, rue Saint-Dominique Paris, France	**75007**
5599 San Felipe, 17th Floor Houston, Texas, United States of America	**77056**
Parkstraat 83, The Hague, The Netherlands	**2514 JG**
(Addresses of principal executive offices)	**(Zip Codes)**

Registrant s telephone number in the United States, including area code, is:

(713) 375-3400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	New York Stock Exchange
	Euronext Paris

The London Stock Exchange

SIX Swiss Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) YES x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

As of June 30, 2012, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately $86.1 billion.

As of December 31, 2012, the number of shares of common stock outstanding was 1,328,255,773.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required to be furnished pursuant to Part III of this Form 10-K is set forth in, and is hereby incorporated by reference herein from, Schlumberger s definitive proxy statement for its 2013 Annual General Meeting of Stockholders, to be filed by Schlumberger with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2012 (the 2013 Proxy Statement).

SCHLUMBERGER LIMITED

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PART I

Item 1. Business.

All references in this report to Registrant, Company, Schlumberger, we or our are to Schlumberger Limited (Schlumberger N.V., incorporat Curaçao) and its consolidated subsidiaries.

Founded in 1926, Schlumberger is the world s leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry. Having invented wireline logging as a technique for obtaining downhole data in oil and gas wells, Schlumberger today provides the industry s widest range of products and services from exploration through production. As of December 31, 2012, the Company employed approximately 118,000 people of over 140 nationalities operating in approximately 85 countries. Schlumberger has principal executive offices in Paris, Houston and The Hague.

Schlumberger operates in each of the major oilfield service markets, managing its business through three Groups: Reservoir Characterization, Drilling and Production. Each Group consists of a number of technology-based service and product lines, or Technologies. These Technologies cover the entire life cycle of the reservoir and correspond to a number of markets in which Schlumberger holds leading positions. The business is also reported through four geographic Areas: North America, Latin America, Europe/CIS/Africa and Middle East & Asia. Within these Areas, a network of GeoMarket* regions provides logistical, technical and commercial coordination.

The role of the Groups and Technologies is to ensure that Schlumberger provides the best possible service to customers and that it remains at the forefront of technology development. The Groups and Technologies are collectively responsible for driving excellence in execution throughout their businesses, overseeing operational processes, resource allocation, personnel and delivering superior financial results. The GeoMarket structure offers customers a single point of contact at the local level for field operations and brings together geographically focused teams to meet local needs and deliver customized solutions. The Areas and GeoMarkets are responsible for providing the most efficient and cost effective support possible to the operations.

The Groups are as follows:

Reservoir Characterization Group Consists of the principal Technologies involved in finding and defining hydrocarbon resources. These include WesternGeco, Wireline, Testing Services, Schlumberger Information Solutions and PetroTechnical Services.

WesternGeco is the world s leading geophysical services company, providing comprehensive worldwide reservoir imaging, monitoring and development services. WesternGeco offers the industry s most extensive multiclient data library.

Wireline provides the information necessary to evaluate subsurface formation rocks and fluids to plan and monitor well construction, and to monitor and evaluate well production. Wireline offers both openhole and cased-hole services including wireline perforating.

Testing Services provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. The Technology also provides tubing-conveyed perforating services.

Schlumberger Information Solutions provides software, consulting, information management and IT infrastructure services that support core oil and gas industry operational processes.

PetroTechnical Services supplies interpretation and integration of all exploration and production data types, as well as expert consulting services for reservoir characterization, field development planning production enhancement and multi-disciplinary reservoir and production solutions. PetroTechnical Services also provides industry petrotechnical training solutions.

Drilling Group Consists of the principal Technologies involved in the drilling and positioning of oil and gas wells and comprises Bits & Advanced Technologies, M-I SWACO, Geoservices, Drilling & Measurements, PathFinder, Drilling Tools & Remedial Services, Dynamic Pressure Management and Integrated Project Management well construction projects.

Bits & Advanced Technologies designs, manufactures and markets roller cone and fixed cutter drill bits for all environments. The drill bits include designs for premium market segments where faster penetration rates and increased footage provide significant economic benefits in lowering overall well costs. The technologies leverage proprietary modeling and simulation software for the design of application-specific bits and cutting structures.

M-I SWACO is the leading supplier of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems, fluid systems and specialty equipment designed to optimize wellbore productivity and production technology solutions formulated to maximize production rates. The Technology also includes environmental solutions that safely manage waste volumes generated in both drilling and production operations.

Geoservices supplies mud logging services for geological and drilling surveillance.

Drilling & Measurements and *PathFinder* provide directional-drilling, measurement-while-drilling and logging-while-drilling services for all well profiles as well as engineering support.

Drilling Tools & Remedial provides a wide variety of bottom hole assembly drilling tools, borehole enlargement technologies and impact tools, as well as a comprehensive collection of tubulars and tubular services for oil and gas drilling operations.

Dynamic Pressure Management consolidates managed pressure drilling and underbalanced drilling into a single provider of engineered solutions for pressure drilling services.

Production Group Consists of the principal Technologies involved in the lifetime production of oil and gas reservoirs and includes Well Services, Completions, Artificial Lift, Well Intervention, Subsea, Water Services, Carbon Services and Schlumberger Production Management field production projects.

Well Services provides services used during oil and gas well drilling and completion as well as those used to maintain optimal production throughout the life of a well. The services include pressure pumping, well cementing and stimulation operations as well as intervention activities.

Completions supplies well completion services and equipment that include packers, safety valves, sand control technology as well as a range of intelligent well completions technology and equipment.

Artificial Lift provides production equipment and optimization services using electrical submersible pumps and gas lift equipment, as well as surface horizontal pumping systems.

Well Intervention develops coiled tubing equipment and services and provides slickline services for downhole mechanical well intervention, reservoir monitoring and downhole data acquisition.

Subsea offers solutions that are designed to improve reservoir recovery, optimize production and maximize production uptime of subsea assets.

Water Services specializes in the development, management and environmental protection of water resources.

Carbon Services provides comprehensive geological storage solutions including storage site characterization for carbon dioxide.

Schlumberger also offers customers its services through business models known as Integrated Project Management (for well construction projects) and Schlumberger Production Management (for field production projects). These models combine the required services and products of the Technologies with both drilling rig management expertise and project management skills to provide a complete solution to well construction and production improvement. Projects are typically of multiyear duration and include start-up costs and significant third-party components that cover services that Schlumberger does not provide directly. Projects may be fixed price in nature, contain penalties for non-performance and may also offer opportunities for bonus payments where performance exceeds agreed targets. Integrated Project Management and Schlumberger Production Management also provide specialized engineering and project management expertise when Schlumberger is requested to include these capabilities with services and products across the Technologies in a single contract. In no circumstances does Schlumberger take any stake in the ownership of oil or gas reserves.

Supporting the Technologies is a global network of research and engineering centers. Through this organization, Schlumberger is committed to advanced technology programs that enhance oilfield efficiency, lower finding and producing costs, improve productivity, maximize reserve recovery and increase asset value while accomplishing these goals in a safe and environmentally sound manner.

Managed outside the Group structure is Schlumberger Business Consulting, which helps oil and gas companies achieve fast and sustainable performance improvements.

Schlumberger primarily uses its own personnel to market its offerings. The customer base, business risks and opportunities for growth are essentially uniform across all services. There is a sharing of manufacturing and engineering facilities as well as research centers, and the labor force is interchangeable. Technological innovation, quality of service and price differentiation are the principal methods of competition, which varies geographically with respect to the different services offered. While there are numerous competitors, both large and small, Schlumberger believes that it is an industry leader in providing wireline logging, well testing, drilling and completion fluids, coiled-tubing, drill bits, measurement-while-drilling, logging-while-drilling and directional-drilling services, mud logging, as well as fully computerized logging and geoscience software and computing services. A large proportion of Schlumberger offerings is non-rig related; consequently, revenue does not necessarily correlate to rig count fluctuations.

Acquisitions

Schlumberger completed a number of acquisitions during 2012, none of which were significant. Information about acquisitions made by Schlumberger appears in Note 4 of the *Consolidated Financial Statements*.

GENERAL

Intellectual Property

Schlumberger and its affiliates own and control a variety of intellectual property, including but not limited to patents, proprietary information and software tools and applications that, in the aggregate, are material to Schlumberger s business. While Schlumberger seeks and holds numerous patents covering various products and processes, no particular patent or group of patents is considered material to Schlumberger s business.

Seasonality

Seasonal changes in weather and significant weather events can temporarily affect the delivery of oilfield services. For example, the spring thaw in Canada and consequent road restrictions can affect activity levels, while the winter months in the North Sea, Russia and China can produce severe weather conditions which typically result in reduced levels of activity. Hurricanes and typhoons can disrupt coastal and offshore operations. Additionally, customer spending patterns for multiclient data, software and other oilfield services and products generally result in higher activity in the fourth quarter of each year as clients seek to utilize their annual budgets.

Customers and Backlog of Orders

For the year ended December 31, 2012, no single customer exceeded 10% of consolidated revenue. Other than WesternGeco, Schlumberger has no significant backlog due to the nature of its businesses. The WesternGeco backlog, which is based on signed contracts with customers, was $1.0 billion at December 31, 2012 ($1.0 billion at December 31, 2011).

Financial Information

Financial information by business segment and geographic area for the years ended December 31, 2012, 2011 and 2010 is provided in Note 17 of the *Consolidated Financial Statements*.

Executive Officers of Schlumberger

The following table sets forth, as of January 31, 2013, the names and ages of the executive officers of Schlumberger, including all offices and positions held by each for at least the past five years.

Name	Age	Current Position and Five-Year Business Experience
Paal Kibsgaard	45	Chief Executive Officer, since August 2011; Director since April 2011; Chief Operating Officer, February 2010 to July 2011; President Reservoir Characterization Group, May 2009 to February 2010; and Vice President Engineering, Manufacturing and Sustaining, November 2007 to May 2009.
Simon Ayat	58	Executive Vice President and Chief Financial Officer, since March 2007; and Vice President Treasurer, February 2005 to March 2007.
Alexander Juden	52	Secretary and General Counsel, since April 2009; Director of Compliance, February 2005 to April 2009.
Satish Pai	51	Executive Vice President Operations, since April 2009; Vice President Operations, Oilfield Services, May 2008 to April 2009; and President Europe Africa & Caspian, March 2006 to May 2008.
Ashok Belani	54	Executive Vice President, Technology, since January 2011; President, Reservoir Characterization Group, February 2010 to August 2011; Vice President and Chief Technology Officer, April 2006 to February 2010; and Senior Advisor, Technology, January 2006 to April 2006.
Kjell-Erik Oestdahl	48	Executive Vice President Shared Services, Infrastructure and Distribution, since March 2012; Executive Vice President Operations, January 2011 to March 2012; Vice President Supply Chain Services, May 2009 to December 2010; Vice President Operations WesternGeco, January 2008 to April 2009; and Chief Procurement Officer at StatoilHydro ASA, March 2006 to November 2007.
Jean-Francois Poupeau	51	Executive Vice President Corporate Development and Communications, since June 2012; President Drilling Group, May 2010 to June 2012; President Drilling & Measurements, July 2007 to April 2010; and Vice President Communications and Investor Relations, April 2006 to June 2007.
Stephanie Cox	44	Vice President Human Resources, since May 2009; and North Gulf Coast GeoMarket Manager, April 2006 to May 2009.
Mark Danton	56	Vice President Director of Taxes, since January 1999.
Aaron Gatt Floridia	44	President, Reservoir Characterization Group, since August 2011; President Middle East, May 2009 to July 2011; and General Manager AOG, January 2007 to April 2009.
Howard Guild	41	Chief Accounting Officer, since July 2005.
Rodney Nelson	54	Vice President Government & Community Relations, since August 2011; and Vice President Communications Innovation and Collaboration, October 2007 to July 2011.
Stephen Orr	49	President Drilling Group, since June 2012; President M-I SWACO, September 2010 to June 2012; President Artificial Lift, July 2008 to August 2010; and Marketing and Technology Manager, July 2006 to June 2008.
Patrick Schorn	44	President Reservoir Production Group, since January 2011; President Well Services, May 2008 to January 2011; and President Completions, April 2006 to April 2008.
Krishna Shivram	50	Vice President Treasurer, since January 2011; Controller Drilling Group, May 2010 to January 2011; Manager Mergers & Acquisitions, May 2009 to April 2010; and Controller Oilfield Services, August 2006 to April 2009.
Malcolm Theobald	51	Vice President Investor Relations, since June 2007.

Available Information

The Schlumberger Internet website is www.slb.com. Schlumberger uses its Investor Relations website, www.slb.com/ir, as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. Schlumberger makes available free of charge on or through its Investor Relations website at www.slb.com/ir access to its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on

Form 8-K, its proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, and amendments to each of those reports, as soon as reasonably practicable after such material is filed with or furnished to the Securities and Exchange Commission (SEC). Alternatively, you may access these reports at the SEC s Internet website at www.sec.gov.

Schlumberger s corporate governance materials, including Board Committee Charters, Corporate Governance Guidelines and Code of Ethics, may also be found at www.slb.com/ir. From time to time, corporate governance materials on our website may be updated to comply with rules issued by the SEC and the New York Stock Exchange (NYSE) or as desirable to promote the effective governance of Schlumberger.

Any stockholder wishing to receive, without charge, a copy of any of Schlumberger s SEC filings should write to the Secretary, Schlumberger Limited, 5599 San Felipe, 17th Floor, Houston, Texas 77056, USA.

Schlumberger has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to this Form 10-K.

The information on our website or any other website is not incorporated by reference in this Form 10-K and should not be considered part of this Form 10-K or any other filing Schlumberger makes with the SEC.

Item 1A. Risk Factors.

The following discussion of risk factors are important information in understanding our forward-looking statements, which are discussed immediately following Item 7A. of this Form 10-K and elsewhere. These risk factors should also be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included in this Form 10-K.

We urge you to consider carefully the risks described below, as well as in other reports and materials that we file with the SEC and the other information included or incorporated by reference in this Form 10-K. If any of the risks described below or elsewhere in this Form 10-K were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our financial condition, results of operations and cash flows.

Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and gas industry. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry s view of future oil and natural gas prices and are sensitive to the industry s view of future economic growth and the resulting impact on demand for oil and natural gas. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us. These effects could have a material adverse effect on our financial condition, results of operations and cash flows.

The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including:

- demand for hydrocarbons, which is affected by general economic and business conditions;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels for oil;
- oil and gas production levels by non-OPEC countries;

the level of excess production capacity;

political and economic uncertainty and geopolitical unrest;

the level of worldwide oil and gas exploration and production activity;

access to potential resources;

- governmental policies and subsidies;
- the costs of exploring for, producing and delivering oil and gas;
- technological advances affecting energy consumption; and
- weather conditions.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our financial condition, results of operations and cash flows.

A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the approximately 85 countries in which we operate.

Our non-United States operations accounted for approximately 72% of our consolidated revenue in 2012, 71% in 2011 and 78% in 2010. Operations in countries other than the United States are subject to various risks, including:

- political and economic conditions in certain areas;
- exposure to possible expropriation of our assets or other governmental actions;
- social unrest, acts of terrorism, war or other armed conflict;
- confiscatory taxation or other adverse tax policies;
- deprivation of contract rights;
- trade restrictions or embargoes imposed by the United States or other countries;
- restrictions under the United States Foreign Corrupt Practices Act or similar legislation in other countries;
- restrictions on the repatriation of income or capital;
- currency exchange controls;
- inflation; and
- currency exchange rate fluctuations and devaluations.

In addition, we are subject to risks associated with our operations in countries, including Iran, Syria, North Sudan and Cuba, that are subject to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations. United States law enforcement authorities are currently conducting a grand jury investigation and an associated regulatory inquiry related to our operations in certain of these countries. Additionally, in 2009 prior to being acquired by Schlumberger, Smith International, Inc. received an administrative subpoena with respect to its historical business practices in certain countries that are subject to United States trade and economic sanctions. If any of the risks described above materialize, or if any governmental investigation results in criminal or civil penalties or other remedial measures, it could reduce our earnings and our cash available for operations.

We are also subject to risks related to investment in our common stock in connection with certain US state divestment or investment limitation legislation applicable to companies with operations in these countries, and similar actions by some private investors, which could adversely affect the market price of our common stock.

During 2012, certain non-U.S. subsidiaries of Schlumberger provided oilfield services to the National Iranian Oil Company and certain of its affiliates (NIOC). Schlumberger has not bid on any new contracts relating to Iran s petroleum production since March 2009. Schlumberger s full-year 2012 revenue attributable to this activity was $418 million, which resulted in net income of $208 million in its consolidated financial statements. Schlumberger intends to discontinue such activity in Iran in 2013 and is currently winding down its operations there. In this regard, during the fourth quarter of 2012, Schlumberger recorded revenue relating to this activity in Iran of $92 million and net income of $48 million in its consolidated financial statements. This activity included obtaining services from and engaging in other dealings with the government of Iran that are incidental to operating in Iran, and the expenses of which are reflected in the net income disclosed above. These services and other dealings consisted of paying taxes, duties, license fees and other typical governmental charges, along with payments for utilities, transportation, hotel accommodations, facility rentals, telecommunications services, newspaper advertisements, recreational and fitness memberships, and the purchase of routine office and similar supplies from entities associated with the government of Iran. Collections of amounts owed to Schlumberger were received in part by depository accounts held by two non-U.S. subsidiaries of Schlumberger at a branch of Bank Saderat Iran (Saderat), and in part by a depositary account held by one of such non-U.S. subsidiaries at Bank Tejarat (Tejarat) in Tehran. The accounts at Saderat are maintained solely for the deposit by NIOC of amounts owed to non-U.S. subsidiaries of Schlumberger. The account at Tejarat is maintained also for payment of expenses in connection with operating in Iran, such as payroll expenses, rental payments and taxes. In addition, NIOC maintains bank accounts at Bank Melli Iran (Melli) through which it made payments to a non-U.S. subsidiary of Schlumberger for services provided in Iran under letters of credit issued by Melli. Schlumberger maintains no bank accounts at Melli. Schlumberger will discontinue its dealings with Melli, Saderat and Tejarat following the receipt of all amounts owed to Schlumberger for services in Iran.

Environmental compliance costs and liabilities could reduce our earnings and cash available for operations.

We are subject to increasingly stringent laws and regulations relating to importation and use of hazardous materials, radioactive materials and explosives and to environmental protection, including laws and regulations governing air emissions, water discharges and waste management. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for strict liability for remediation costs, damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

We use and generate hazardous substances and wastes in our operations. In addition, many of our current and former properties are, or have been, used for industrial purposes. Accordingly, we could become subject to material liabilities relating to the investigation and cleanup of potentially contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could reduce our earnings and our cash available for operations. We believe we are currently in substantial compliance with environmental laws and regulations.

We could be subject to substantial liability claims, which could adversely affect our financial condition, results of operations and cash flows.

The technical complexities of our operations are such that we are exposed to a wide range of significant health, safety and environmental risks. Our offerings involve production-related activities, radioactive materials, explosives and other equipment and services that are deployed in challenging exploration, development and production environments. An accident involving these services or equipment, or a failure of a product, could cause personal injury, loss of life, damage to or destruction of property, equipment or the environment, or suspension of operations. Our insurance may not protect us against liability for some kinds of events, including events involving pollution, or against losses resulting from business interruption. Moreover, we may not be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate. Any damages caused by our services or products that are not covered by insurance, or are in excess of policy limits or are subject to substantial deductibles, could adversely affect our financial condition, results of operations and cash flows.

Demand for our products and services could be reduced by changes in governmental regulations or in the law.

Some international, national and state governments and agencies are currently evaluating and promulgating climate-related legislation and regulations that are focused on restricting greenhouse gas emissions. Such legislation, as well as government initiatives to conserve energy or to promote the use of alternative energy sources, may significantly curtail demand for and production of fossil fuels such as oil and gas in areas of the world where our customers operate and thus adversely affect future demand for our services, which may in turn adversely affect our financial condition, results of operations and cash flows.

Some international, national and state governments and agencies have also adopted laws and regulations or are evaluating proposed legislation and regulations that are focused on the extraction of shale gas or oil using hydraulic fracturing. Hydraulic fracturing is a stimulation treatment routinely performed on oil and gas wells in low-permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing cracks in the target formation. Proppant, such as sand of a particular size, is mixed with the treatment fluid to keep the cracks open when the treatment is complete. Future hydraulic fracturing-related legislation or regulations could lead to operational delays and increased costs and, therefore, reduce demand for our pressure pumping services. If such additional international, national or state legislation or regulations are enacted, it could adversely affect our financial condition, results of operations and cash flows.

If we are unable to maintain technology leadership, this could adversely affect any competitive advantage we hold.

If we are unable to continue to develop and produce competitive technology or deliver it to our clients in a timely and cost-competitive manner in the various markets we serve, it could adversely affect our financial condition, results of operations and cash flows.

Limitations on our ability to protect our intellectual property rights, including our trade secrets, could cause a loss in revenue and any competitive advantage we hold.

Some of our products or services, and the processes we use to produce or provide them, have been granted patent protection, have patent applications pending or are trade secrets. Our business may be adversely affected if our patents are unenforceable, the claims allowed under our patents are not sufficient to protect our technology, our patent applications are denied, or our trade secrets are not adequately protected. Our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our trade secrets, which could adversely affect our financial condition, results of operations and cash flows.

We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.

The tools, techniques, methodologies, programs and components we use to provide our services may infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running our core business. Royalty payments under licenses from third parties, if available, would increase our costs. If a license were not available, we might not be able to continue providing a particular service or product, which could adversely affect our financial condition, results of operations and cash flows. Additionally, developing non-infringing technologies would increase our costs.

Failure to obtain and retain skilled technical personnel could impede our operations.

We require highly skilled personnel to operate and provide technical services and support for our business. Competition for the personnel required for our businesses intensifies as activity increases. In periods of high utilization it may become more difficult to find and retain qualified individuals. This could increase our costs or have other adverse effects on our operations.

Severe weather conditions may affect our operations.

Our business may be materially affected by severe weather conditions in areas where we operate. This may entail the evacuation of personnel and stoppage of services. In addition, if particularly severe weather affects platforms or structures, this may result in a suspension of activities. Any of these events could adversely affect our financial condition, results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Schlumberger owns or leases numerous manufacturing facilities, administrative offices, service centers, research centers, data processing centers, mines, ore, drilling fluid and production chemical processing centers, sales offices and warehouses throughout the world. Schlumberger views its principal manufacturing, mining and processing facilities, research centers and data processing centers as its principal owned or leased facilities.

The following sets forth Schlumberger s principal owned or leased facilities:

Beijing, China; Clamart, France; Mumbai, India; Fuchinobe, Japan; Oslo, Norway; Singapore; Abingdon, Cambridge and Stonehouse, United Kingdom; Moscow, Russia; and within the United States: Boston, Massachusetts; Houston, Rosharon and Sugar Land, Texas; Battle Mountain, Nevada; Greybull, Wyoming and Florence, Kentucky.

Item 3. Legal Proceedings.

The information with respect to Item 3. Legal Proceedings is set forth in Note 16 of the *Consolidated Financial Statements*.

Item 4. Mine Safety Disclosures.

The barite and bentonite mining operations of M-I LLC, an indirect wholly-owned subsidiary, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-K.

PART II

Item 5. Market for Schlumberger s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of December 31, 2012, there were approximately 22,455 stockholders of record. The principal United States market for Schlumberger s common stock is the NYSE, where it is traded under the symbol SLB, although it is traded on other exchanges in and outside the United States, including the Euronext Paris, the London Stock Exchange and the SIX Swiss Exchange.

Common Stock, Market Prices and Dividends Declared per Share

Quarterly high and low prices for Schlumberger s common stock as reported by the NYSE (composite transactions), together with dividends declared per share in each quarter of 2012 and 2011, were:

	Price Range		Dividends
	High	**Low**	**Declared**
2012			
QUARTERS			
First	**$ 80.78**	**$ 67.12**	**$ 0.275**
Second	**76.19**	**59.12**	**0.275**
Third	**78.47**	**64.19**	**0.275**
Fourth	**75.70**	**66.85**	**0.275**
2011			
QUARTERS			
First	$ 95.64	$ 79.74	$ 0.25
Second	95.00	79.55	0.25
Third	95.53	58.77	0.25
Fourth	77.65	54.79	0.25

On January 17, 2013, Schlumberger announced that its Board of Directors had approved an increase in the quarterly dividend of 13.6%, to $0.3125.

There are no legal restrictions on the payment of dividends or ownership or voting of such shares, except as to shares held as treasury stock. Under current legislation, stockholders are not subject to any Curaçao withholding or other Curaçao taxes attributable to the ownership of such shares.

The following graph compares the cumulative total stockholder return on Schlumberger common stock, assuming reinvestment of dividends on the last day of the month of payment into common stock of Schlumberger, with the cumulative total return on the Standard & Poor s 500 Index (S&P 500 Index) and the cumulative total return on the Philadelphia Oil Service Index (OSX) over the five-year period ended December 31, 2012. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Schlumberger specifically incorporates it by reference into such filing.

Comparison of five-year cumulative total return among

Schlumberger common stock, the S&P 500 Index and the

Philadelphia Oil Service Index (OSX)

Assumes $100 invested on December 31, 2007 in Schlumberger common stock, in the S&P 500 Index and in the Philadelphia Oil Service Index (OSX) and reinvestment of dividends on the last day of the month of payment.

Share Repurchases

On April 17, 2008, the Schlumberger Board of Directors approved an $8 billion share repurchase program for Schlumberger common stock, to be acquired in the open market before December 31, 2011. On July 21, 2011, the Board of Directors approved an extension of this repurchase program to December 31, 2013.

Schlumberger did not repurchase any common stock during the three months ended December 31, 2012. The maximum value of shares that may be purchased under this program as of December 31, 2012 was $879 million.

In connection with the exercise of stock options under Schlumberger s incentive compensation plans, Schlumberger routinely receives shares of its common stock from optionholders in consideration of the exercise price of the stock options. Schlumberger does not view these transactions as requiring disclosure under this Item 5 as the number of shares of Schlumberger common stock received from optionholders is not material.

Unregistered Sales of Equity Securities

As discussed in Note 13 of the *Consolidated Financial Statements*, Schlumberger maintains a Discounted Stock Purchase Plan (the DSPP), which was established in 1988. The DSPP provides for two purchase periods each calendar year: January 1 to June 30 and July 1 to December 31. Schlumberger filed registration statements with the SEC to register the shares initially available for purchase under the DSPP as well as to register additional shares that were approved by Schlumberger stockholders in 2005. In 2010, Schlumberger stockholders approved an amendment to the DSPP that, among other things, increased the number of shares available for purchase under the DSPP by 10,000,000 shares. In December 2012, Schlumberger discovered that it had inadvertently failed to file a registration statement with the SEC to register the additional DSPP shares approved in 2010. In December 2012, Schlumberger registered the sale of the shares that remain available for purchase under the DSPP. Prior to such registration, however, some of the shares Schlumberger sold under the DSPP were unregistered. With respect to the six-month purchase period ending June 30, 2012, 2,197,151 unregistered shares were sold at a discounted purchase price of $59.89 per share, resulting in cash proceeds of approximately $132 million. The Company believes that it has historically provided participants in the DSPP with the same information they would have received had the registration statement been filed. Nonetheless, original purchasers of the unregistered shares may have rescission rights with respect to the shares purchased by them with respect to the six-month purchase period ended June 30, 2012. Schlumberger believes that any liability resulting from a potential rescission would be immaterial, particularly in light of the fact that the market price of Schlumberger s common stock has exceeded the participants discounted purchase price since the date of purchase.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with both Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data of this Form 10-K in order to understand factors, such as business combinations and charges and credits, which may affect the comparability of the Selected Financial Data:

(Stated in millions, except per share amounts)

	Year Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Revenue	**$ 42,149**	$ 36,959	$ 26,672	$ 22,702	$ 27,163
Income from continuing operations	**$ 5,468**	$ 4,730	$ 4,253	$ 3,164	$ 5,422
Diluted earnings per share from continuing operations	**$ 4.06**	$ 3.47	$ 3.37	$ 2.61	$ 4.42
Working capital	**$ 11,788**	$ 10,001	$ 7,233	$ 6,391	$ 4,811
Total assets	**$ 61,547**	$ 55,201	$ 51,767	$ 33,465	$ 32,094
Net debt [(1)]	**$ 5,111**	$ 4,850	$ 2,638	$ 126	$ 1,129
Long-term debt	**$ 9,509**	$ 8,556	$ 5,517	$ 4,355	$ 3,694
Schlumberger stockholders equity	**$ 34,751**	$ 31,263	$ 31,226	$ 19,120	$ 16,862
Cash dividends declared per share	**$ 1.10**	$ 1.00	$ 0.84	$ 0.84	$ 0.84

(1) Net Debt represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that Net Debt provides useful information regarding the level of Schlumberger indebtedness by reflecting cash and investments that could be used to repay debt.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis contains forward-looking statements, including, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions and resources. Such forward-looking statements should be read in conjunction with our disclosures under Item 1A. Risk Factors of this Form 10-K.

Executive Overview

Schlumberger revenue reached a new high of $42.15 billion in 2012 an increase of 14% over 2011 driven by robust exploration and development both offshore and in key land markets. Outside North America, revenue grew 16%, while North America revenue grew 9%, with strong offshore activity in the US Gulf of Mexico outweighing a challenging land market.

Global demand for oil recorded annual growth of some 0.8 million barrels per day for the second year running following the exceptionally strong recovery of 2010. Lower demand in the OECD countries through energy efficiency gains tempered stronger growth in the non-OECD economies and in China in particular. Oil supply grew by more than one million barrels per day in North America as light tight oil production accelerated although this was partially offset by decline in a number of non-OPEC countries. Within OPEC, production in Libya continued to recover leading to a slight increase in spare capacity, which remained relatively slim. This, together with ongoing geopolitical tension and the associated risk of supply disruption, continued to support oil prices.

For natural gas, the three main markets continued to behave independently. In North America, storage levels remained at record highs throughout the year as a result of growing domestic production and mild weather that pushed spot prices to 10-year lows in April. Toward the end of the year, however, storage levels returned closer to historical averages. In Asia, natural gas prices remained close to oil parity, supported by sustained high demand in Japan following the 2011 nuclear incident and by strong demand in China. In Europe, lower demand was offset by declining domestic supply and the effect of demand in Asia.

In this environment, Schlumberger achieved a record high for revenue, with strong contributions from all Areas. International performance was led by the Europe/CIS/Africa Area, where revenue was up 18%, mainly from strength in Russia and in the Nigeria & Gulf of Guinea, Angola, East Africa and North Sea GeoMarkets. In Latin America, revenue grew by 17%, driven by Integrated Project Management contracts on land, and activity for Wireline services and Drilling Group product and services offshore mainly in the Mexico & Central America; Venezuela, Trinidad & Tobago; and Ecuador GeoMarkets. Revenue in the Middle East & Asia Area increased by 13% on strong results in the Saudi Arabia & Bahrain, Australasia, Brunei, Malaysia & Philippines, and China GeoMarkets. And in North America, revenue grew by $1.2 billion to reach $13.5 billion, driven by a robust 38% increase in demand for deepwater and exploration services offshore, particularly in the US Gulf of Mexico. Revenue from North America land also improved a modest 4% on strong demand for Production Group technology, although this was tempered by weakness in the hydraulic fracturing market.

All Product Groups recorded double-digit revenue growth. Reservoir Characterization revenue of $11.4 billion increased by 15%, with all Technologies also posting double-digit growth driven by offshore exploration activity across the Areas. Drilling Group revenue increased 15% to $16.0 billion, led by strong growth in M-I SWACO, Drilling & Measurements, and Drilling Tools & Remedial technologies. Production Group revenue of $14.9 billion increased 13%, with double-digit growth in Well Intervention, Completions and Artificial Lift Technologies. Well Services revenue also increased, primarily from offshore activity.

Entering 2013, the world macroeconomic environment remains uncertain with the GDP growth outlook unchanged. However, global oil demand is expected to grow at similar levels to those seen in 2012 and 2011 and supply will see further growth in North America as light tight oil production increases. Other non-OPEC production, however, can be expected to continue to face delays and decline challenges. As a result, global spare capacity should remain largely unchanged absent any unexpected macroeconomic or geopolitical events, and this will support oil prices within the band we have seen since 2011. For natural gas, little change is expected in the behavior of the main geographical markets in 2013.

The following discussion and analysis of results of operations should be read in conjunction with the *Consolidated Financial Statements*.

Fourth Quarter 2012 Results

Product Groups

(Stated in millions)

	Fourth Quarter 2012 Revenue	Fourth Quarter 2012 Income before taxes	Third Quarter 2012 Revenue	Third Quarter 2012 Income before taxes
Oilfield Services				
Reservoir Characterization	**$ 3,150**	**$ 917**	$ 2,910	$ 838
Drilling	**4,137**	**696**	4,048	733
Production	**3,924**	**590**	3,675	548
Eliminations & other	**(37)**	**(39)**	(25)	23
	11,174	**2,164**	10,608	2,142
Corporate & other (1)		**(180)**		(176)
Interest income (2)		**6**		8
Interest expense (3)		**(90)**		(85)
Charges & credits (4)		**(93)**		(32)
	$ 11,174	**$ 1,807**	$ 10,608	$ 1,857

Geographic Areas

(Stated in millions)

	Fourth Quarter 2012 Revenue	Fourth Quarter 2012 Income before taxes	Third Quarter 2012 Revenue	Third Quarter 2012 Income before taxes
Oilfield Services				
North America	**$ 3,409**	**$ 655**	$ 3,290	$ 610
Latin America	**2,071**	**377**	1,860	333
Europe/CIS/Africa	**2,958**	**579**	2,985	646
Middle East & Asia	**2,577**	**601**	2,352	570
Eliminations & other	**159**	**(48)**	121	(17)
	11,174	**2,164**	10,608	2,142
Corporate & other (1)		**(180)**		(176)
Interest income (2)		**6**		8
Interest expense (3)		**(90)**		(85)
Charges & credits (4)		**(93)**		(32)
	$ 11,174	**$ 1,807**	$ 10,608	$ 1,857

(1) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the 2010 acquisition of Smith International, Inc. (Smith) and certain other nonoperating items.

(2) Excludes interest income included in the segments income (fourth quarter 2012 $- million; third quarter 2012 $- million).

(3) Excludes interest expense included in the segments income (fourth quarter 2012 $3 million; third quarter 2012 $3 million).
(4) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Oilfield Services

Fourth-quarter revenue of $11.17 billion increased $567 million or 5% sequentially, on robust international activity. Of the revenue increase, approximately 36% came from the typical year-end surge in product and software sales, and 12% came from the increase in WesternGeco multiclient sales. Reservoir Characterization Group revenue grew 8% to reach $3.2 billion, while Drilling Group revenue of $4.1 billion was 2% higher. Production Group revenue increased 7% to $3.9 billion. Geographically, International revenue of $7.6 billion increased $409 million or 6% sequentially, while North America revenue of $3.4 billion grew by $118 million or 4% sequentially.

The sequential increase in Reservoir Characterization Group revenue resulted mainly from robust international end-of-year Schlumberger Information Solutions (SIS) software sales. Testing Services grew for the third successive quarter from higher activity in the Saudi Arabia & Bahrain GeoMarket. PetroTechnical Services posted double-digit revenue growth on strong consulting activity in the Mexico & Central America GeoMarket. WesternGeco increased slightly as the end-of-year multiclient sales and UniQ* land seismic technology direct sale in Russia were partly offset by a sharp seasonal decline in Marine revenue on lower vessel utilization following the seasonal transits out of the North Sea. Wireline revenue grew from increased activity in the US Gulf of Mexico but this was largely offset by a seasonal activity decline in Asia. Drilling Group revenue increased on international and offshore demand for Drilling & Measurements and M-I SWACO technologies. Drilling Tools & Remedial Services also contributed to growth with the full-quarter revenue from Radius services. IPM improved slightly as the combination of an increase in projects in Australia and new start-ups in Iraq and Argentina was partly offset by project completions in North Africa. The increase in Production Group revenue resulted primarily from stronger Completions and Artificial Lift product year- end sales coupled with new Framo subsea projects in the US Gulf of Mexico and in the North Sea and Angola GeoMarkets. Well Intervention Services revenue also increased on higher activity in the Mexico & Central America and Saudi Arabia & Bahrain GeoMarkets. Well Services revenue grew mainly due to higher activity in international and offshore North America markets. Well Services stage count in North America land also increased, but revenue declined from continued pricing weakness as a result of hydraulic horsepower oversupply.

Among the Areas, Middle East & Asia revenue of $2.6 billion grew 10% sequentially led by the start of new IPM turnkey projects in Iraq; higher Testing, Well Intervention and Drilling Group services in addition to year-end product sales in the Saudi Arabia & Bahrain GeoMarket; the start of the Jurassic seismic project as well as strong product and year-end software sales in Kuwait; and the increase in IPM onshore projects and strong drilling activity in the Australasia GeoMarket. In Latin America, revenue of $2.1 billion increased 11% sequentially led by robust year-end software and product sales, strong PetroTechnical Services consulting activity, unconventional fracturing and well intervention stimulation activity in the Mexico & Central America GeoMarket. Higher WesternGeco vessel utilization for new seismic acquisition surveys in Brazil, Trinidad and Uruguay, coupled with the start of an IPM project in Argentina, also contributed to the increase. In Europe/CIS/Africa, revenue of $3.0 billion declined 1% mainly due to lower WesternGeco vessel utilization following the seasonal transit of vessels out of the North Sea. Completed IPM projects and service contract delays in North Africa and the completion of the WesternGeco survey in the Kara Sea in Russia also contributed to the decline. The sequential decrease, however, was partially offset by increased activity in Angola and higher product and software sales in the Russia and Central Asia region and the Continental Europe GeoMarket. North America revenue of $3.4 billion increased 4% sequentially mainly from offshore which rose by 24%, while land fell by 2%. The increase in offshore revenue resulted from both higher drilling activity as the number of deepwater drilling rigs increased and stronger year-end WesternGeco multiclient sales. The decline in land revenue was mainly due to continued pricing weakness for Well Services hydraulic fracturing activities. A seasonal decline in deviated and horizontal land drilling activity paired with pricing weakness also affected the Drilling Group segment in North America.

On a worldwide basis, fourth-quarter pretax operating income of $2.2 billion increased 1% sequentially. International pretax operating income of $1.6 billion grew 1%, while North America pretax operating income of $655 million increased 7%.

Pretax operating margin of 19.4% declined 83 basis points (bps) sequentially. International pretax operating margin of 20.5% declined 104 bps, which stemmed from a higher-than-usual seasonal slowdown and contractual delays in the Europe/CIS/Africa Area that traditionally attract higher margins. In North America, pretax operating margin of 19.2% increased 65 bps sequentially due to the increased contribution of high-margin offshore services, particularly in the US Gulf of Mexico, which more than offset margin decline in Drilling Group and Well Services activities on land. By segment, Reservoir Characterization Group pretax operating margin reached 29.1% while the pretax operating margins of the Drilling and Production Groups were 16.8% and 15.0%, respectively.

Reservoir Characterization Group

Fourth-quarter revenue of $3.15 billion increased $240 million or 8% sequentially. Pretax operating income of $917 million was 9% higher sequentially.

Revenue increased mainly through robust international end-of-year SIS software sales while Testing Services grew for the third successive quarter from higher activity in the Saudi Arabia & Bahrain and Mexico & Central America

GeoMarkets. PetroTechnical Services revenue also posted double-digit growth on strong consulting activity in the Mexico & Central America GeoMarket. WesternGeco increased slightly as the end-of-year multiclient sales and UniQ land seismic technology direct sale in Russia were partly offset by the sharp seasonal decline in Marine revenue on lower vessel utilization following seasonal transits out of the North Sea. Wireline grew slightly on increased activity in the US Gulf of Mexico following the recovery from the activity shut-down associated with Hurricane Isaac in the previous quarter, but this was offset by a seasonal activity decline in Asia, mainly in the Australasia and China GeoMarkets.

Pretax operating margin of 29.1% increased 31 bps sequentially. Margin expansion was primarily due to traditionally strong end-of-year sales of Schlumberger Information Services (SIS) software and WesternGeco multiclient licenses. Testing Services, Wireline and PetroTechnical Services margins also expanded on a more favorable technology mix in exploration and development projects. These improvements were, however, subdued by lower WesternGeco Marine margin as a result of lower vessel utilization.

Drilling Group

Fourth-quarter revenue of $4.1 billion increased $88 million or 2% sequentially. Pretax operating income of $696 million was 5% lower sequentially.

Revenue increased on international and offshore demand for Drilling & Measurements and M-I SWACO products and services. Drilling Tools & Remedial Services activity also contributed to growth with a full-quarter of revenue for Radius services. IPM revenue grew slightly, as increased projects in Australia and new start-ups in Iraq and Argentina were partly offset by project completions in North Africa. The overall revenue increase was tempered by a decline in drilling-related services, mainly in North America land, due to a seasonal decline in deviated and horizontal drilling activity coupled with pricing weakness.

Pretax operating margin of 16.8% decreased 128 bps sequentially. Among the Group Technologies, sequential margins in Drilling & Measurements and Drilling Tools & Remedial Services were flat, while margin contractions were recorded at M-I SWACO and IPM due to geographical mix and operational and start-up delays.

Production Group

Fourth-quarter revenue of $3.9 billion increased $249 million or 7% sequentially. Pretax operating income of $590 million was 8% higher sequentially.

The increase in revenue resulted primarily from stronger Completions and Artificial Lift product year-end sales coupled with new Framo subsea projects in the US Gulf of Mexico and in the North Sea and Angola GeoMarkets. Well Intervention Services revenue increased on higher activity in the Mexico & Central America and Saudi Arabia & Bahrain GeoMarkets. Well Services revenue grew mainly due to higher activity in the international and the North America offshore markets. International activities were strong from stimulation vessel operations in Brazil, unconventional fracturing activity in Mexico, and new projects in Kuwait and Iraq. Well Services stage count in North America land also grew but land revenue declined on continued pricing weakness from the oversupply of hydraulic horsepower.

Pretax operating margin increased 13 bps sequentially to 15%. The increase was largely attributable to the favorable impact of year-end Completions and Artificial Lift product sales coupled with improved profitability from new Framo subsea projects. This margin increase was largely offset by continued Well Services pricing weakness.

Full-Year 2012 Results

Product Groups

(Stated in millions)

	2012		2011	
	Revenue	Income before taxes	Revenue	Income before taxes
Oilfield Services				
Reservoir Characterization	**$ 11,424**	**$ 3,212**	$ 9,929	$ 2,449
Drilling [1]	**15,971**	**2,824**	13,860	2,254
Production [1]	**14,875**	**2,371**	13,136	2,637
Eliminations & other	**(121)**	**(60)**	34	(35)
	42,149	**8,347**	36,959	7,305
Corporate & other [2]		**(694)**		(590)
Interest income [3]		**30**		37
Interest expense [4]		**(331)**		(290)
Charges & credits [5]		**(161)**		(223)
	$ 42,149	**$ 7,191**	$ 36,959	$ 6,239

Geographic Areas

(Stated in millions)

	2012		2011	
	Revenue	Income before taxes	Revenue	Income before taxes
Oilfield Services				
North America	**$ 13,485**	**$ 2,736**	$ 12,323	$ 3,052
Latin America	**7,554**	**1,387**	6,467	1,074
Europe/CIS/Africa	**11,443**	**2,245**	9,676	1,477
Middle East & Asia	**9,194**	**2,152**	8,102	1,874
Eliminations & other	**473**	**(173)**	391	(172)
	42,149	**8,347**	36,959	7,305
Corporate & other [2]		**(694)**		(590)
Interest income [3]		**30**		37
Interest expense [4]		**(331)**		(290)
Charges & credits [5]		**(161)**		(223)
	$ 42,149	**$ 7,191**	$ 36,959	$ 6,239

(1) Effective January 1, 2012, a component of the Drilling Group was reallocated to the Production Group. Historical information has been reclassified to conform to this presentation.

(2) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the acquisition of Smith and certain other nonoperating items.

(3) Excludes interest income included in the segments income (2012 $- million; 2011 $3 million).

(4) Excludes interest expense included in the segments income (2012 $8 million; 2011 $8 million).

(5) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Oilfield Services

Full-year 2012 revenue of $42.15 billion increased 14% versus the same period last year with North America Area 9% higher and international activity 16% higher. Internationally, higher exploration and development activities in a number of GeoMarkets both offshore and in key land markets contributed to the increase. The increase was led by the Europe/CIS/Africa Area which increased 18%, mainly in Russia and in the Nigeria & Gulf of Guinea, Angola, the East Africa and North Sea Africa GeoMarkets. Latin America was higher by 17%, mainly in the Mexico & Central America; Venezuela, Trinidad & Tobago; and Ecuador GeoMarkets driven by strong Integrated Project Management (IPM) activity on land and robust offshore activity for Wireline and Drilling Group services and products. Middle East & Asia increased 13% on strong results in the Saudi Arabia & Bahrain; Australasia; Brunei, Malaysia & Philippines; and China GeoMarkets. The increase in North America was due to strong growth in North America offshore driven by robust deepwater and exploration activity that benefited the Reservoir Characterization and Drilling Groups Technologies. There was also an improvement in activity in North America land for the Production Group Technologies although the increase slowed in the second half of the year due to the weakness in the hydraulic fracturing market.

Full-year 2012 pretax operating income of $8.3 billion increased 14% year-on-year as international pretax operating income of $5.8 billion increased 31% while North America pretax operating income of $2.7 billion declined by 10% year-on-year.

Pretax operating margin was essentially flat at 19.8% as international pretax operating margin expanded 226 bps to 20.5% while North America pretax operating margin declined 448 bps to 20.3%. Europe/CIS/Africa posted a 435 bps improvement to reach 19.6% and Latin America increased 175 bps to 18.4% and Middle East & Asia reported a 27 bps increase to 23.4%. North America margin decline was due to Well Services production technologies, as a result of pricing pressure and cost inflation.

Reservoir Characterization Group

Full-year revenue of $11.42 billion was 15% higher than the same period last year led by Wireline, Testing Services, WesternGeco and SIS Technologies driven by improved offshore exploration activities across all Areas Pretax operating margin increased 345 bps to 28.1% largely due to the higher-margin exploration activities that benefited Wireline and Testing Services, higher SIS software sales, higher WesternGeco marine vessel utilization and improved UniQ land seismic productivity.

Drilling Group

Full-year revenue of $15.97 billion was 15% higher than the previous year primarily due to the significantly improved exploration and development activities of M-I SWACO, Drilling & Measurements, and the other Drilling Group Technologies in North America offshore and in the international markets.

Pretax operating margin increased 142 bps to 17.7% primarily due to the increase in higher-margin activities of Drilling & Measurements, M-I SWACO and Drilling Tools & Remedial technologies all of which benefited from exploration activities in North America offshore and in the international markets mainly in the Europe/CIS/Africa Area.

Production Group

Full-year revenue of $14.88 billion increased 13% year-on-year, both in North America and the international markets. Well Intervention, Artificial Lift and Completions Technologies posted strong growth across all Areas. Well Services grew both in North America and internationally, with international growth led by Latin America and by Europe/CIS/Africa.

Pretax operating margin decreased 414 bps to 15.9% mainly due to a decline in margins for Well Services production technologies, primarily in North America, as a result of pricing pressure and cost inflation. This was mitigated by margin expansion for the other Production Group Technologies led by Well Intervention Services and Completions.

Full-Year 2011 Results

Product Groups

(Stated in millions)

	2011		2010	
	Revenue	**Income before taxes**	Revenue	Income before taxes
Oilfield Services				
Reservoir Characterization	**$ 9,929**	**$ 2,449**	$ 9,321	$ 2,321
Drilling [1]	**13,860**	**2,254**	7,917	1,313
Production [1]	**13,136**	**2,637**	9,366	1,389
Eliminations & other	**34**	**(35)**	68	48
	36,959	**7,305**	26,672	5,071
Corporate & other [2]		**(590)**		(405)
Interest income [3]		**37**		43
Interest expense [4]		**(290)**		(202)
Charges & credits [5]		**(223)**		625
	$ 36,959	**$ 6,239**	$ 26,672	$ 5,132

Geographic Areas

(Stated in millions)

	2011		2010	
	Revenue	**Income before taxes**	Revenue	Income before taxes
Oilfield Services				
North America	**$ 12,323**	**$ 3,052**	$ 6,730	$ 1,145
Latin America	**6,467**	**1,074**	4,985	807
Europe/CIS/Africa	**9,676**	**1,477**	7,850	1,449
Middle East & Asia	**8,102**	**1,874**	6,652	1,762
Eliminations & other	**391**	**(172)**	455	(92)
	36,959	**7,305**	26,672	5,071
Corporate & other [2]		**(590)**		(405)
Interest income [3]		**37**		43
Interest expense [4]		**(290)**		(202)
Charges & credits [5]		**(223)**		625
	$ 36,959	**$ 6,239**	$ 26,672	$ 5,132

(1) Effective January 1, 2012, a component of the Drilling Group was reallocated to the Production Group. Historical information has been reclassified to conform to this presentation.

(2) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the acquisition of Smith and certain other nonoperating items.

(3) Excludes interest income included in the segments income (2011 $3 million; 2010 $7 million).

(4) Excludes interest expense included in the segments income (2011 $8 million; 2010 $5 million).

(5) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Oilfield Services

Full-year 2011 revenue of $37.0 billion was 39% higher than 2010 primarily reflecting the acquisition of Smith on August 27, 2010 as well as the significantly improved activity, pricing and asset efficiency for Well Services Technologies in North America as the market transitioned to liquid-rich plays demanding increasing service intensity in drilling and completing horizontal wells.

Year-on-year pretax operating margin increased 79 bps to 19.8% largely due to the improved pricing and asset efficiency for Well Services Technologies in North America and the resumption of higher-margin activity in the US Gulf of Mexico. However, the margin expansion was tempered by activity disruptions from the geopolitical unrest in North Africa and in the Middle East during the first quarter of 2011.

Reservoir Characterization Group

Full-year revenue of $9.93 billion was 7% higher than the previous year on stronger Wireline activity, higher WesternGeco marine and multiclient sales, and increased SIS software sales.

Year-on-year, pretax operating margin decreased 23 bps to 24.7% led by margin declines in Wireline and Testing Services, largely due to the revenue mix, as well as the impact of geopolitical events which prevailed during the first quarter of 2011. The margin decline however was partially offset by a favorable WesternGeco multiclient sales mix and improved marine vessel utilization.

Drilling Group

Full-year revenue of $13.86 billion was 75% higher than the previous year reflecting the acquisitions of Smith, in August 2010, and Geoservices, in April 2010, partially offset by a decrease in IPM activities in Mexico. The ramp-up of IPM projects in Iraq also contributed to the revenue increase.

Year-on-year, pretax operating margin decreased 32 bps to 16.3% largely due to the addition of the Smith and Geoservices activities as well as the effects of the geopolitical events.

Production Group

Full-year revenue of $13.14 billion was 40% higher than the previous year while pretax operating margin increased 525 bps to 20.1%. Well Services revenue and margins expanded strongly in North America on higher pricing, capacity additions and improved asset utilization and efficiency as the market transitioned to liquid-rich plays. Internationally, Well Services also posted growth on the strength of higher activity, despite the exceptional geopolitical events that occurred during the first quarter of 2011.

Interest and Other Income

Interest and other income consisted of the following:

(Stated in millions)

	2012	2011	2010
Interest income	**$ 30**	$ 40	$ 50
Equity in net earnings of affiliated companies:			
M-I SWACO			78
Others	**142**	90	87
	$ 172	$ 130	$ 215

Equity income from the M-I SWACO joint venture in 2010 represented eight months of equity income through the closing of the Smith transaction.

Interest Expense

Interest expense of $340 million in 2012 increased by $42 million compared to 2011 primarily due to the $1 billion of $1.25% Senior Notes due 2017 and $1 billion of 2.40% Senior Notes due 2022 that Schlumberger issued during 2012.

Interest expense of $298 million in 2011 increased by $91 million compared to 2010 primarily due to the $4.6 billion of long-term debt that Schlumberger issued during 2011.

Other

Research & engineering and *General & administrative* expenses, as a percentage of *Revenue*, were as follows:

	2012	2011	2010
Research & engineering	**2.8%**	2.9%	3.4%
General & administrative	**1.0%**	1.1%	1.2%

Although *Research & engineering* decreased as a percentage of revenue in 2011 as compared to 2010, it increased in absolute dollars by $154 million. This increase in absolute dollars was driven in large part by the impact of the Smith acquisition.

Income Taxes

The Schlumberger effective tax rate was 24.0% in 2012, 24.2% in 2011, and 17.1% in 2010.

The Schlumberger effective tax rate is sensitive to the geographic mix of earnings. When the percentage of pretax earnings generated outside of North America increases, the Schlumberger effective tax rate will generally decrease. Conversely, when the percentage of pretax earnings generated outside of North America decreases, the Schlumberger effective tax rate will generally increase.

The effective tax rate for both 2011 and 2010 was impacted by the charges and credits described in Note 3 to the *Consolidated Financial Statements*. Excluding the impact of these charges and credits, the effective tax rate in 2011 was 23.8% compared to 20.5% in 2010. This increase in the effective tax rate, excluding the impact of the charges and credits, was primarily attributable to the fact that Schlumberger generated a larger proportion of its pretax earnings in North America in 2011 as compared to 2010 as a result of improved market conditions and the effect of a full year s activity from the acquired Smith businesses.

Charges and Credits

Schlumberger recorded significant charges and credits in continuing operations during 2012, 2011 and 2010. These charges and credits, which are summarized below, are more fully described in Note 3 to the *Consolidated Financial Statements*.

The following is a summary of the 2012 charges and credits:

		(Stated in millions)		**Consolidated Statement**
	Pretax	**Tax**	**Net**	**of Income Classification**
Merger-related integration costs	$ 128	$ 16	$ 112	*Merger & integration*
Workforce reduction	33	6	27	*Restructuring & other*
	$ 161	$ 22	$ 139	

The following is a summary of the 2011 charges and credits:

		(Stated in millions)		**Consolidated Statement**
	Pretax	**Tax**	**Net**	**of Income Classification**
Merger-related integration costs	$ 113	$ 18	$ 95	*Merger & integration*
Donation to the Schlumberger Foundation	50	10	40	*General & administrative*
Write-off of assets in Libya	60		60	*Cost of revenue*

	$ 223	$ 28	$ 195

The following is a summary of the 2010 charges and credits:

(Stated in millions)